

Mason S. Botts
10002 Rough Run Court
Fairfax Station, VA 22039
September 30, 2006

The Honorable Harvey Morgan
Chairman, House Commerce and Labor Committee
General Assembly Building
P. O. Box 406
Richmond, Virginia 23218

Dear Chairman Morgan:

I am writing to express the Virginia Joint Leadership Council of Veterans Service Organizations' support for legislation to curb the heinous practice of Payday Lending. While we recognize the need for loan services to provide financial assistance to people, we are concerned that legislative restraints are needed. There are unethical predators in the financial services industry who continue to prey on those who need short term financial assistance and do not have the education or experience to understand how these programs can adversely affect their lives. We are particularly concerned about the problems that have occurred with our nation's military veterans and active duty personnel.

The Dept. of Defense has done an in-depth study of this issue and cited it as one of 10 key issues affecting the quality of life of veterans, service members and their families. The US Senate has attached an amendment to the 2007 Defense Authorization Bill to curb these practices and to set an interest rate cap of 36%. The US House of Representatives has introduced bill HR 97 with similar provisions, and state legislation on this issue is needed.

Through the use of deceptive practices and lack of disclosures, pay day lenders now entice veterans and active duty service personnel into short-term, high-cost loans that frequently lead to a spiral of debt that many find difficult to escape. A common practice is to advance an individual a portion of his or her next retirement check or paycheck and in return, receive a post-dated check from the individual including interest, with effective annual interest rates as high as 900%. Lenders should not be permitted to base loans on prospective bad checks, electronic access to bank accounts, mandatory military allotments, or titles to vehicles. Only eleven states, including Maryland, West Virginia, and North Carolina, have met the standard of preventing triple-digit interest rates. Virginia has not met the standard.

The JLC respectfully requests that the General Assembly pass legislation which at least meets the DOD requirements and mirrors federal legislation in this area. As a minimum there should be an interest rate cap of at most 36% APR, controls on deceptive practices, and requirements for full disclosure. We hope that the Commonwealth will take prompt and effective action by drafting and passing effective anti-predatory lending legislation. We thank you for your consideration and support.

Sincerely,

Mason S. Botts
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Veterans Service Organizations.
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